

# Reforming Washington's tax code to advance racial and economic injustice

Washington State Budget & Policy Center, October 2021

Contact: Andy Nicholas ([andyn@budgetandpolicy.org](mailto:andyn@budgetandpolicy.org))



# Three key points.

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**The wealthiest white households get a special tax deal... at the expense of everyone else.**

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**Regressive taxation compounds the harm caused by institutional racism.**

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**We're now on a path toward justice and prosperity.**

# **Our tax code should...**

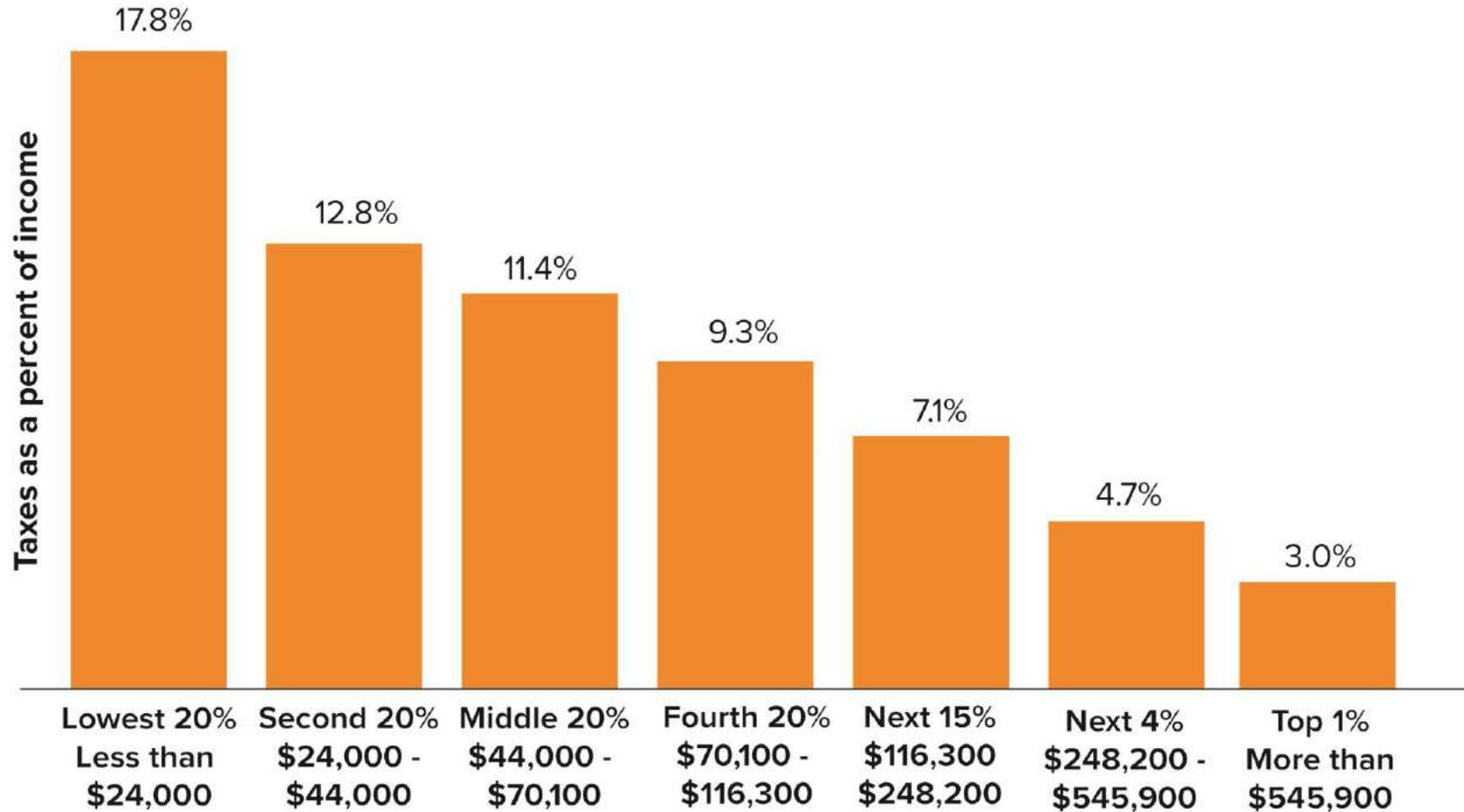
- **Adequately fund and maintain shared community investments.**
- **Push back against rising wealth inequality and racism.**
- **Mitigate harms from pollution and other threats to public health.**

Wealthiest  
white  
households  
get a special  
tax deal



# Washington's worst-in-the-nation tax code: Highest rates for those with the least

Washington state and local taxes as a share of annual income by income group



Source: Institute on Taxation and Economic Policy, update to Who Pays, 6th edition, provided January 2021

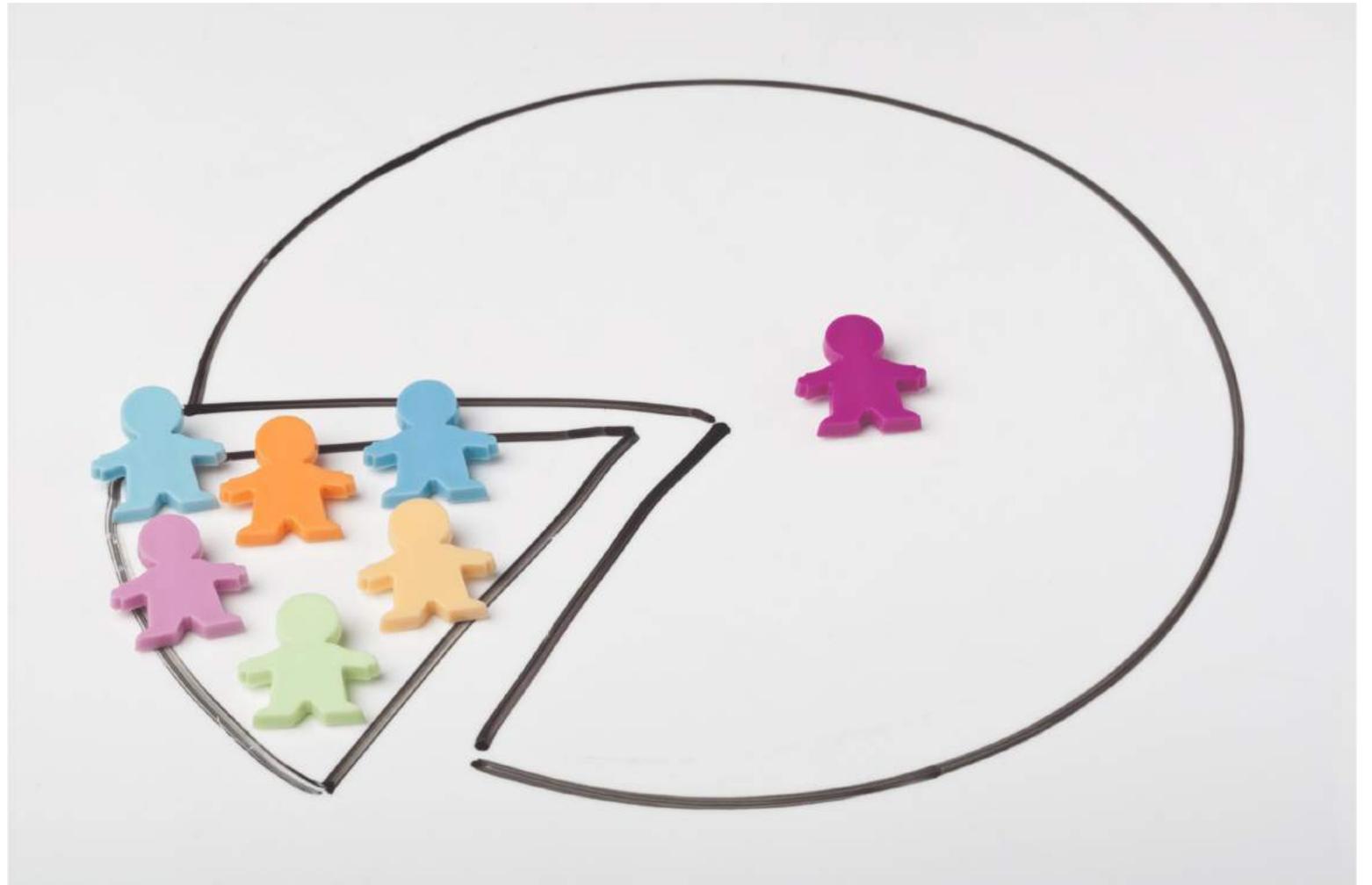
# Washington's tax code benefits richest, white households at the expense of everyone else

Richest 15% of white households in Washington state: share of total Washington state income vs. share of total state and local taxes paid in 2015



Source: Institute on Taxation and Economic Policy, update to Who Pays, 6th edition, provided January 2021

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# **An undeniable history of oppression**

- **Endorsement of slavery**
- **Anti-Asian taxes**
- **Impeding on Native American fishing rights**
- **Anti-Black redlining**
- **Abusive Mexican “guest worker” programs**

**Today's  
reality**

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**Rampant housing  
discrimination**

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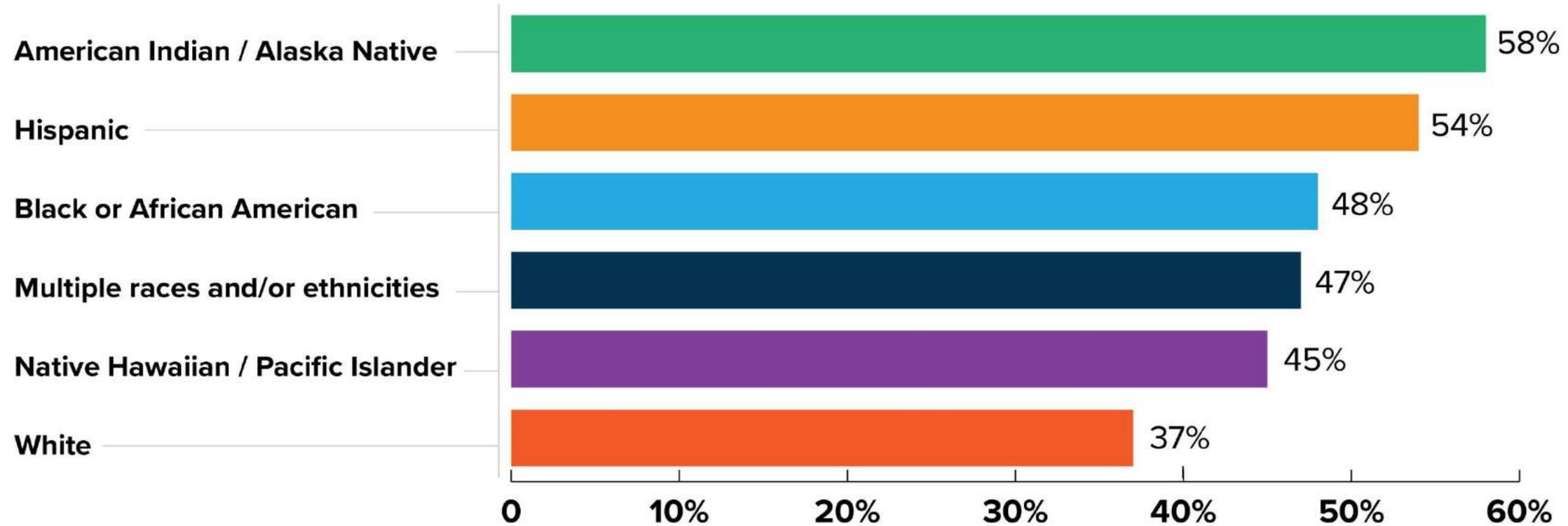
**Employment  
discrimination**

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**Gigantic racial  
wealth gap**

# Washingtonians of color are more likely to have low incomes due to institutional racism

Share of Washington state households in the bottom 40% of the income scale (annual earnings below \$53,000) by racial/ethnic group



Source: Institute on Taxation and Economic Policy, all ages, non-hispanic tax units in 2019; includes only those tax units living away from federally recognized reservations.

Washington's  
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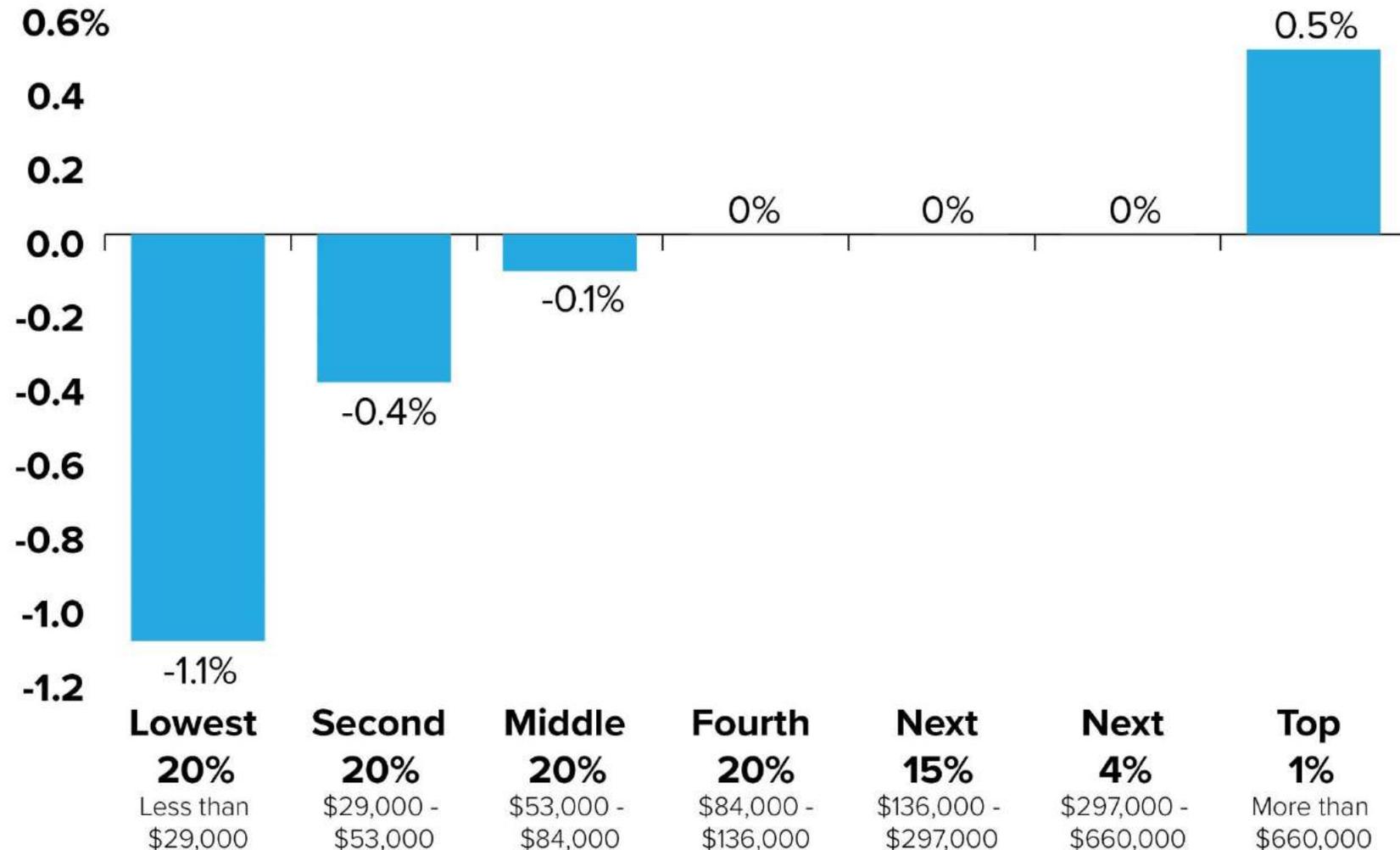
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# Capital gains excise tax and Working Families Tax Credit will begin to balance Washington's upside-down tax code

Change in Washington state taxes as a share of annual household income by income group



Source: Institute on Taxation and Economic Policy; preliminary estimates of Senate Bill 5096 and House Bill 1297; all Washington state residents, 2019 incomes.

# **What the future holds...**

- **Tax on ultra-concentrated wealth**
- **Progressive payroll taxes on corporate high-earners**
- **Equitable property tax reforms**
- **Expanded tax credits for lower-and moderate-income households**
- **Reforming regressive criminal legal fines and fees.**

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**Thank you!**

# Resources

- For more information, see "[Washington state's upside-down tax code is even more racist than you think](#)," Washington State Budget & Policy Center
- For an explanation of the methodology used to derive these estimates, see "[ITEP's Approach to Modeling Taxes by Race and Ethnicity](#)," Institute on Taxation & Economic Policy (ITEP)
- For questions, contact Andy Nicholas and Margaret Babayan:
  - [Andyn@budgetandpolicy.org](mailto:Andyn@budgetandpolicy.org)
  - [Margaretb@budgetandpolicy.org](mailto:Margaretb@budgetandpolicy.org)

# Data & Methods

- Source data from the Institute of Taxation & Economic Policy (ITEP)
- Microstimulation tax model crosswalked with American Community Survey (ACS) race/ethnicity data
- Data are disaggregated by race and ethnicity, when possible

# Note on race and ethnicity categories:

Wherever possible, data are disaggregated to provide a preliminary understanding of disparities by race, ethnicity, and nativity. Data are not always available for all races and ethnicities, which we recognize is problematic given our country's long history of cultural erasure. As a result of all of this, the statistics throughout this report tell a limited story. And in some cases, the numbers don't reflect – and may even misrepresent – people's lived experiences. In Washington state, this is especially true for the "Asian" race category presented in this analysis. It is important to include the category so as not to contribute to the continued erasure of Asian communities in data, however, we recognize that in aggregate, the category obscures vastly different lived experiences for communities represented in the data. For example, whereas the median annual income for Japanese households in Washington state is \$115,000, the median annual income for Vietnamese households is \$79,800.\*

\*Budget & Policy Center analysis of IPUMS USA microdata, American Community Survey, 2019 1-year sample.

# Washingtonians of color face higher average tax

State and local taxes as a share of income, by race and ethnicity

	<b>Share of state and local taxes as a percent of income</b>
All Races (Average)	7.7%
Am. Indian/Alaska Native*	8.4%
Hawaiian/Pacific Islander	8.4%
Hispanic	8.3%
Black	8.1%
Multiple Races	7.8%
Asian**	7.6%
White	7.6%

Source: Institute on Taxation and Economic Policy, update to Who Pays, 6th edition, provided January 2021

\*Includes only those tax units living away from federally recognized reservations

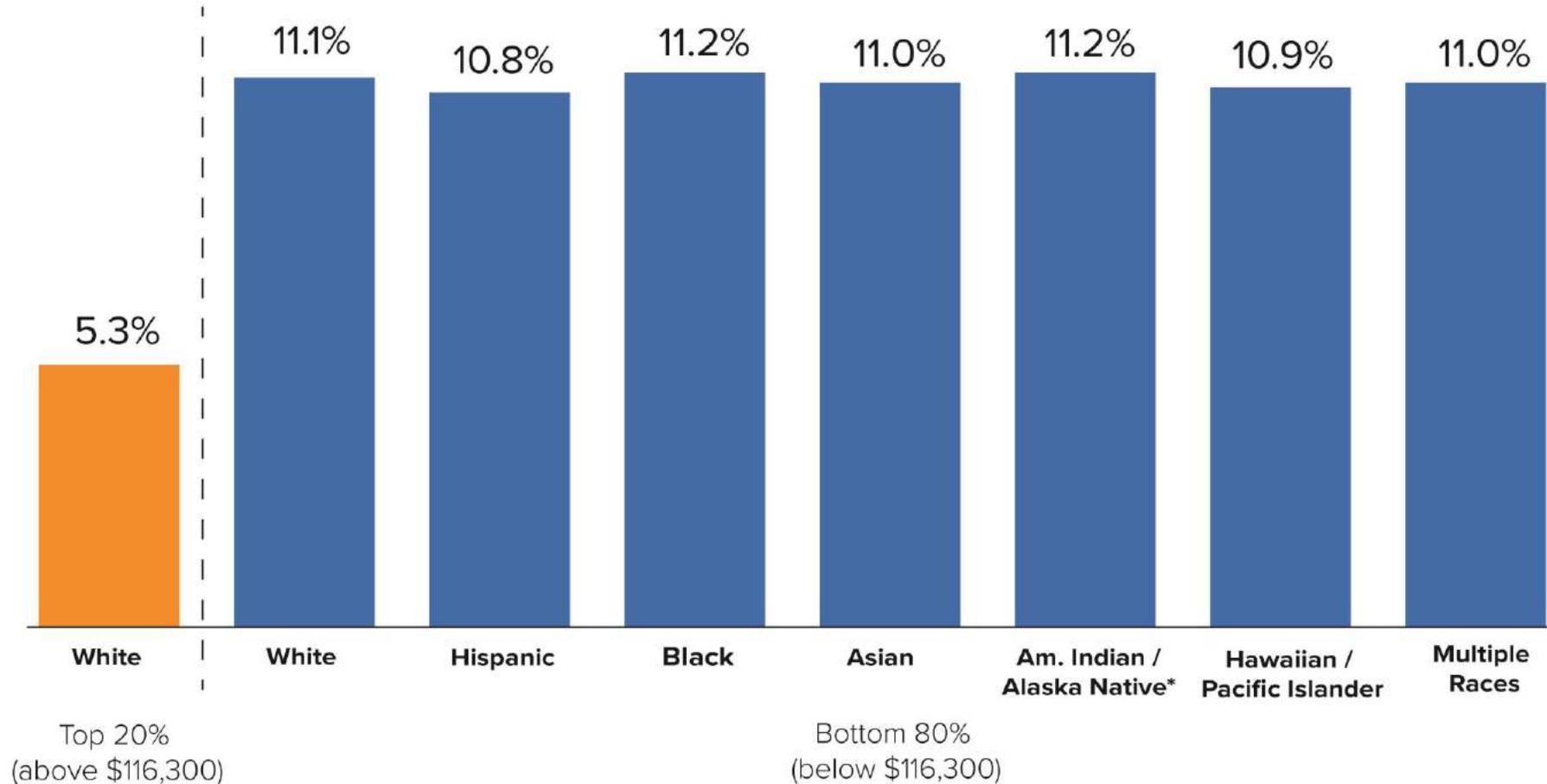
\*\*Aggregate data obscures significant variation in income by ethnic groups within the "Asian" category



[budgetandpolicy.org](http://budgetandpolicy.org)

# Washington's tax code gives wealthy white residents a special deal at the expense of everyone else

Effective state & local tax rate, richest 20% of white households vs bottom 80% of households by race/ethnicity



Source: Institute on Taxation and Economic Policy, update to Who Pays, 6th edition, provided January 2021;

\*Includes only those tax units living away from federally recognized reservations



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